

Message Text

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FM AMEMBASSY WELLINGTON

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C O N F I D E N T I A L WELLINGTON 2474

REFS: (A) STATE 194600, DTG 152307Z AUG 75

(B) WELLINGTON 2443 DTG 220258Z AUG 75

1. REFTEL A NOTED THAT 1963 US-NZ AGREEMENT ON AEROSPACE DISTURBANCES EXEMPTED CONTRACTOR PERSONNEL FROM PAYMENT OF NEW ZEALAND INCOME TAXES. EMBASSY HAS DISCUSSED THIS POINT WITH MFA AND HAS RESEARCHED BACKGROUND OF AEROSPACE DISTURBANCES AGREEMENT. ISSUE WAS SUBJECT OF SERIES OF NOTES EXCHANGED IN MARCH AND MAY 1963 PRIOR TO SIGNING AGREEMENT. MFA FIRST NOTED CONTRACTOR EMPLOYEES COULD BE EXEMPTED FROM TAXES ONLY IF THEY WERE IN NEW ZEALAND LESS THAN 183 DAYS IN A GIVEN YEAR IN ACCORDANCE WITH US-NZ DOUBLE TAXATION AGREEMENT. IN REPLY EMBASSY STATED, "IT IS NOT EXPECTED THAT CONTRACTOR EMPLOYEES WILL BE IN NEW ZEALAND MORE THAN SIXTY DAYS AT A TIME, OR THAT ANY INDIVIDUAL WILL EXCEED THE 180 (SIC) DAY LIMIT. IT IS NOT EXPECT THAT MORE THAN TWO OR THREE CONTRACTOR EMPLOYEES WILL BE IN NEW ZEALAND AT ANY ONE TIME, AND NO CONTRACTOR DEPENDENTS ARE PLANNED."

2. GNZ REPLIED TO ABOVE, "IN THE PRESENT STATE OF NEW ZEALAND LAW AND OF THE DOUBLE TAXATION AGREEMENT OF 1948 BETWEEN THE TWO GOVERNMENTS, SUCH EMPLOYEES (AND THEIR DEPENDENTS) QUALIFY FOR EXEMPTION FROM INCOME TAX HERE
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ONLY IF THEIR STAY IN NEW ZEALAND IS OF A DURATION OF

LESS THAN 183 DAYS IN ANY ONE YEAR. THOUGH THE NEW ZEALAND AUTHORITIES HAVE NOTED THE INFORMATION THAT IT IS NOT EXPECTED THAT INDIVIDUAL CONTRACTOR EMPLOYEES WILL BE PRESENT FOR A PERIOD EXCEEDING 183 DAYS, IT IS NOT DESIRED, IN THE PROPOSED AGREEMENT, TO ENTER INTO A COMMITMENT ON THIS ISSUE CAPABLE OF EXTENDING BEYOND THE PRESENT AMBIT OF NEW ZEALAND LAW." USG REPLY TO THIS POINT STATED, IN PART, "...IN THE UNLIKELY EVENT IT SHOULD BECOME NECESSARY FOR A SIGNIFICANT NUMBER OF CONTRACTOR PERSONNEL TO BE BROUGHT INTO NEW ZEALAND FOR LONGER THAN SIX MONTHS THE UNITED STATES GOVERNMENT MIGHT WISH TO REOPEN THE QUESTION OF THEIR EXEMPTION FROM NEW ZEALAND TAXES."

3. IT IS OBVIOUS FROM ABOVE THAT TAX EXEMPTION PROVIDED CONTRACTOR EMPLOYEES UNDER AEROSPACE DISTURBANCES AGREEMENT WAS PREDICATED ON GNZ UNDERSTANDING (BASED ON EMBASSY ASSURANCES) THAT PERSONNEL WOULD NORMALLY BE IN NEW ZEALAND FOR LESS THAN 183 DAYS PER YEAR. IF BENDIX EMPLOYEES' PERIODS OF RESIDENCE ANNUALLY IN NEW ZEALAND ARE NOT RPT NOT EXPECTED TO BE MORE THAN 183 DAYS, GNZ WOULD PROBABLY HAVE NO DIFFICULTIES GRANTING INCOME TAX EXEMPTIONS. EMBASSY HAS NO INFORMMATION CONCERNING LENGTH OF TIME BENDIX EMPLOYEES WILL EXPECT TO BE HERE AND WOULD APPRECIATE DEPARTMENT'S ADVICE BEFORE GOING BACK TO MFA ON TAX QUESTION.

4. COMMENT: UNLESS EMBASSY IS AUTHORIZED TO OFFICIALLY ADVISE MFA THAT BENDIX PERSONNEL WILL NOT BE PRESENT IN NEW ZEALAND MORE THAN 183 DAYS PER YEAR, EMBASSY SEES NO WAY FOR PERSONNEL TO BE EXEMPTED FROM NZ TAXES. SELDEN

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